

Message Text

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PAGE 01 PEKING 00583 020117Z

63

ACTION EA-10

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SUBJECT: SINO-US TRADE - BUSINESS VISITORS IN SECOND HALF OF MARCH

REF: PEKING 471

SUMMARY: ALTHOUGH THE NUMBER OF US BUSINESS VISITORS DECLINED RELATIVE TO THE FLURRY OF ACTIVITY NOTED IN OUR LAST REPORT, SEVERAL IMPORTANT US FIRMS WERE REPRESENTED IN CHINA DURING THE SECOND HALF OF MARCH. INCLUDED WERE TWO GROUPS ENGAGED IN WHOLE PLANT NEGOTIATIONS (UNIVERSAL OIL PRODUCTS AND AIR PRODUCTS AND CHEMICALS) AND SIX US MANUFACTURERS WHO ARE PARTICIPATING--THOUGH UK SUBSIDIARIES-- IN THE BRITISH MACHINE TOOLS AND SCIENTIFIC INSTRUMENTS EXHIBITION IN SHANGHAI. ALSO IN CHINA FOR BUYING TRIPS WERE SEVERAL IMPORTERS OF MUSICAL INSTRUMENTS, SHOES, BASKETS, ARTIFICIAL FLOWERS, PEARLS AND JADE. END SUMMARY.

1. THE FOLLOWING US COMPANIES HAD REPS IN CHINA DURING THE LAST TWO WEEKS OF MARCH.

2. UNIVERSAL OIL PRODUCTS (UOP) - W.R. SEDLACEK AND FIVE OTHER UOP MEN RETURNED TO PEKING IN MID-MARCH TO CONTINUE THEIR NEGOTIATIONS WITH THE CHINA NATIONAL TECHNICAL IMPORT CORPORATION (TECHIMPORT) ON THE SALE OF TECHNOLOGY, ENGINEERING AND SOME LIMITED OFFICIAL USE

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PAGE 02 PEKING 00583 020117Z

MATERIAL SUPPORT SERVICES FOR CONSTRUCTION OF A DETERGENT PLANT AND

AND ISOMAR PAREX (IP) FACILITY. AS PREVIOUSLY REPORTED (PEKING 342), THESE TALKS COULD RESULT IN UOP CONTRACTS WORTH \$15 MILLION, MOSTLY IN TECHNOLOGY FEES, AND MIGHT LEAD TO FURTHER UOP INVOLVEMENT IN ANOTHER TECHIMPORT PLANT PURCHASE. SEDLACEK IS OPTIMISTIC THAT THE CURRENT NEGOTIATIONS WILL SUCCEED AND HOPES THIS WILL BE THE FINAL ROUND.

3. AIR PRODUCTS AND CHEMICALS (APC) - CARL FOWLER, FAR EAST SALES DIRECTOR FOR APC'S HOUDRY DIVISION, VISITED USLO MARCH 31 TO TELL OF HIS ACTIVITIES IN PEKING OVER THE PRECEDING MONTH. FOWLER IS PARTICIPATING IN NEGOTIATIONS BETWEEN TECHIMPORT AND A GERMAN FIRM, LINDE, A.G., ON THE SALE OF A BENZENE PLANT TO CHINA. THE PLANT WOULD BE PART OF A LARGER POLYESTER COMPLEX WHICH WOULD INCLUDE UOP'S IP FACILITY AND A PARAZYLENE AND A TERETHALIC ACID PLANT FOR WHICH STANDARD OIL OF INDIANA MAY PROVIDE TECHNOLOGY (PEKING 1850 OF 1974). FEEDSTOCK FOR THE COMPLEX WOULD COME FROM A TOKYO ENGINEERING ETHYLENE PLANT WHICH IS ALREADY UNDER CONSTRUCTION AND WHICH USES US (LUMMUS) TECHNOLOGY.

4. APC'S ROLE IN THIS PROJECT WOULD INVOLVE: (A) LICENSING ITS PROCESS FOR REFINING PYROLISIS GAS INTO HIGH GRADE BENZENE; (B) PROVIDING TECHNICAL SERVICES DURING CONSTRUCTION; AND (C) SUPPLYING CATALYSTS FOR USE IN THE FINISHED PLANT (WHICH WOULD LEAD TO LATER RE-ORDERS). THE TOTAL PACKAGE WOULD BE WORTH ABOUT ONE MILLION DOLLARS TO THE US FIRM. FOWLER ADDED THAT TECHIMPORT, IN ORDER TO CONSERVE FOREIGN EXCHANGE, HAS PROPOSED TO LINDE THAT THE CHINESE SUPPLY SOME OF THE CARBON STEEL AND OTHER BASIC BUILDING MATERIALS FOR THE PLANT, AND THAT THEY ALSO UNDERTAKE CONSTRUCTION OF THE LESS COMPLICATED VESSELS THEMSELVES. WHILE UOP HAS ACCEPTED A SIMILAR ARRANGEMENT IN ITS IP PLANT NEGOTIATIONS, LINDE IS YET TO AGREE TO SUCH A "MIXED" APPROACH.

5. ANOTHER DIVISION OF APC COMPANY WILL BE SENDING NEGOTIATORS TO CHINA LATER THIS YEAR, FOWLER SAID, FOR WHOLE PLANT NEGOTIATIONS INVOLVING NATURAL GAS. HE HINTED THAT NG LIQUEFACTION COULD BE INVOLVED, BUT DID NOT ELABORATE.

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PAGE 03 PEKING 00583 020117Z

6. IDEAL MUSICAL MERCHANDISE COMPANY - JACK AND KATE LOEB, PRESIDENT AND TREASURER, RESPECTIVELY, OF THIS NEW YORK IMPORT FIRM, ARE VISITING THE PEKING, TIENTSIN AND KWANGCHOW BRANCHES OF THE CHINA NATIONAL LIGHT INDUSTRIAL PRODUCTS IMPORT AND EXPORT CORPORATION. HE EXPECTS TO CONCLUDE AN AGREEMENT WHILE HE IS HERE FOREXCLUSIVE US DISTRIBUTION OF ALL WESTERN-TYPE MUSICAL INSTRUMENTS HANDLED BY THESE THREE BRANCHES. THE CONTRACT WILL BE FOR EIGHTEEN MONTHS, RENEWABLE. LOEB HOPES IT WILL PUT HIS BUSINESS

WITH CHINA-NOW THREE YEARS OLD-ON A SECURE, LONG TERM FOOTING.

7. ZUCKER PRODUCTS CORPORATION (FORMERLY CHARLES ZUCKER INC.) - LEONARD ZUCKER, PRESIDENT, AND BOB BORELLA OF THIS NEW YORK COMPANY, VISITED PEKING IN THE FOURTH WEEK OF MARCH ON ANOTHER OF THEIR PERIODIC SILK FLOWERS BUYING TRIPS. LIKE LOEB'S FIRM (A BOVE) THIS COMPANY HAS BEEN DEALING WITH CHINA FOR SEVERAL YEARS AND NO LONGER HAS TO TRANSACT ITS BUSINESS AT THE CANTON FAIRS. FOLLOWING THEIR VISIT TO PEKING, ZUCKER AND BORELLA VISITED TIENTSIN AND SHANGHAI.

8. S. BERGER IMPORTS AND MANUFACTURING - SANDY AND CONSTANCE GARLAND OF S. BERGER, ANOTHER NEW YORK COMPANY, WERE IN PEKING IN LATE MARCH TO BUY SILK FLOWERS AND BASKETS FOR FLORAL DISPLAYS. THEY TOO VISITED TIENTSIN AND SHANGHAI BEFORE GOING HOME.

9. FRAN MASTOLONI AND SONS - FRANCIS MASTOLONI, ALSO OF NEW YORK VISITED PEKING AND SHANGHAI IN MID-MARCH ON HIS FIRST BUYING TRIP TO CHINA. ALTHOUGH HE WAS LOOKING FOR SEMI-PRECIOUS STONES, HIGH QUALITY JADE CARVINGS AND NATURAL AND CULTURED PEARLS, HE FOUND THE LIGHT INDUSTRIAL PRODUCTS CORPORATION MAINLY INTERESTED IN SELLING LOW COST COSTUME JEWELRY AND OTHER ITEMS HE DOES NOT HANDLE. HE BOUGHT LESS THAN \$5,000 IN MARCHANDISE AND LEFT, PLEASE TO HAVE SEEN CHINA BUT UNSURE OF FUTURE BUSINESS PROSPECTS.

10. ATLAS IMPORTING CORPORATION - MELVIN NESSEL, PRESIDENT OF THIS CAMBRIDGE, MASS SHOE IMPORTING COMPANY, HAS JUST RETURNED TO PEKING FOR HIS SECOND TRIP IN THREE MONTHS. HE VISITED PEKING, TIENTSIN AND TSINGTAO IN EARLY JANUARY (PEKING 170) AND WILL VISIT AT LEAST TIENTSIN THIS TIME, BUT WE HAVE NOT YET HAD TIME TO DISCUSS HIS CURRENT TRIP IN DETAIL.
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PAGE 04 PEKING 00583 020117Z

11. BRITISH EXHIBITION - THE FOLLOWING US FIRMS ARE PARTICIPATING, THROUGH THEIR UK SUBSIDIARIES, IN THE BRITISH MACHINE TOOLS AND SCIENTIFIC INSTRUMENTS EXHIBITION BEING HELD IN SHANGHAI FROM MARCH 25 TO APRIL 4: (A) BECKMAN INSTRUMENTS; (B) CINCINNATI MILACRON; (C) BAUSCH AND LOMB; (D) PERKIN ELMER; (E) GIDDINGS AND LEWIS FRASER, AND (F) CROSS INTERNATIONAL. A USLO OFFICER VISITED THE FAIR ON MARCH 28 AND REPORTED THAT ALL OF THE ABOVE FIRMS HOPE THEIR REPS WILL BE ABLE TO VISIT PEKING FOLLOWING THE EXHIBITION.

12. INFORMATION IN THIS CABLE, PARTICULARLY IN PARAS 2-6, IS COMMERCIALY SENSITIVE AND SHOULD NOT BE DISCUSSED OUTSIDE THE USG.

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